

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
-
- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
-
- Executive Sessions ... ES
-
- Hearing Records ... HR
-
- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_pt06s_DPR
- Record of Comm. Proceedings ... RCP
-

Joint Finance

16.515/16.505

14 Day Passive
Reviews

7/25/97 —

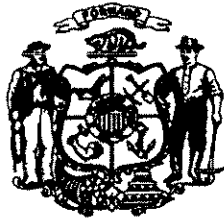
12/4/97

UWS fee/reserves

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

Room LL 1 MLK
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
SCOTT JENSEN

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 264-6970

JOINT COMMITTEE ON FINANCE

August 20, 1997

Secretary Mark Bugher
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53707

Dear Secretary Bugher:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed your request, dated July 24, 1997, pursuant to s. 36.46 Wis. Stats., pertaining to a request from the University of Wisconsin System to approve the plan for student fee-funded auxiliary reserves.

No objections to this request have been raised. Accordingly, the request is approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Burke".

BRIAN BURKE
Senate Chair

A handwritten signature in black ink, appearing to read "Scott Jensen".

SCOTT JENSEN
Assembly Chair

BB/SJ/jc

cc: Members, Joint Committee on Finance
President Lyall, UWS



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

August 4, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: UW Auxiliary Reserve Funds -- JFC 14-Day Passive Review

This memorandum provides information relating to a report on UW auxiliary reserve funds that is currently pending before the Committee.

Current Law

Under s. 36.46 of the statutes, the Board of Regents may not accumulate any auxiliary reserve funds from student fees unless the fees and the reserve funds are approved by the Secretary of Administration and the Joint Committee on Finance. A request for such approval must be submitted no later than July 10 preceding the academic year in which the reserves will be accumulated. The Secretary of Administration has 14 working days to notify the Co-Chairs of the Committee, in writing, whether the Secretary proposes to approve the requested fees or reserves. Copies of both the DOA recommendation and the UW request are attached.

Summary of UW Report and DOA Approval

In a letter received by the Co-Chairs of the Joint Committee on Finance on August 1, 1997, the Department of Administration (DOA) recommended approval of a request from the UW System to accumulate student fee-funded reserves in 1997-98.

The letter from the University, dated July 2, 1997, requests approval to change the level of fee-funded reserves from an estimated \$36.2 million on June 30, 1997, to \$31.0 million on June 30, 1998; the request would increase fee-funded reserves at selected campuses by \$2.0 million in 1997-98, with offsetting decreases at other campuses of \$7.2 million. Although the net reserve balance for all campuses combined would decrease, increases in individual reserves, by campus, must be approved.

The Board of Regents approved a 1997-98 segregated fee schedule as well as room and board charges on July 25, 1997 (see attachment), which was prepared using the assumption that this request would be approved. If the Committee were to revise the amount of auxiliary reserve levels, adjustments to these fees would most likely be made in the spring, 1998 semester, rather than as a refund of fees charged for the fall.

If you have questions regarding this memorandum, please contact this office.

Prepared by: Merry Larsen

Attachment

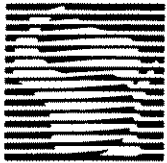
cc: Katherine C. Lyall, President, UW System
Dale Cattanach, Legislative Audit Bureau

ATTACHMENT

UW System Auxiliary Operations Room and Board Charges and Segregated Fees 1996-97 and 1997-98 Academic Years

	<u>Residence Halls</u>			<u>Meal Plans</u>			<u>Segregated Fees</u>		
	<u>1996-97</u>	<u>1997-98</u>	<u>Percent Change</u>	<u>1996-97</u>	<u>1997-98</u>	<u>Percent Change</u>	<u>1996-97</u>	<u>1997-98</u>	<u>Percent Change</u>
Madison	\$2,106	\$2,180	3.5%	\$1,805	\$1,853	2.7%	\$379.00	\$380.00	0.3%
Milwaukee	1,998	2,273	13.8	1,100	1,200	9.1	460.90	478.50	3.8
Eau Claire	1,670	1,720	3.0	1,234	1,266	2.6	321.00	344.30	7.3
Green Bay	1,650	1,715	3.9	1,200	1,000	-16.7	402.00	423.60	5.4
La Crosse	1,400	1,600	14.3	1,400	1,460	4.3	398.50	456.14	14.5
Oshkosh	1,551	1,628	5.0	960	1,030	7.3	272.00	293.00	7.7
Parkside	2,330	2,530	8.6	1,250	1,280	2.4	378.00	392.00	3.7
Platteville	1,316	1,394	5.9	1,473	1,546	5.0	363.00	368.00	1.4
River Falls	1,578	1,640	3.9	1,330	1,396	5.0	340.00	351.50	3.4
Stevens Point	1,826	1,886	3.3	1,280	1,302	1.7	378.60	395.20	4.4
Stout	1,526	1,618	6.0	1,296	1,364	5.2	340.80	395.76	16.1
Superior	1,506	1,590	5.6	1,576	1,612	2.3	318.10	338.10	6.3
Whitewater	1,556	1,620	4.1	1,112	1,156	4.0	359.28	374.40	4.2
Centers									
Baraboo							168.30	191.00	13.5
Barron							147.50	152.50	3.4
Fond du Lac							181.80	189.00	4.0
Fox Valley							199.40	195.20	-2.1
Manitowoc							136.50	144.50	5.9
Marathon							174.40	184.80	6.0
Marinette							124.70	128.30	2.9
Marshfield							157.60	163.60	3.8
Richland							193.00	199.50	3.4
Rock							150.40	160.70	6.8
Sheboygan							159.90	166.00	3.8
Washington							193.90	202.10	4.2
Waukesha							138.20	142.20	2.9

NOTE: Residence Hall rate is for double room (other options exist at some campuses). Meal Plan rate is for most popular meal plan or represents average spending per student for meals.



The University of Wisconsin System

Vice President for Business and Finance

1752 Van Hise Hall

1220 Linden Drive

Madison, Wisconsin 53706

(608) 262-1311 FAX (608) 262-3985

July 2, 1997

Senator Brian Burke

Representative Scott Jensen

Co-Chairs, Joint Committee on Finance

Mark D. Bugher, Secretary

Department of Administration

Dear Senator Burke, Representative Jensen and Secretary Bugher:

This letter requests approval of the UW System's 1997-98 plan for student fee funded auxiliary reserve balances as currently required by section 36.46, Wisconsin Statutes:

"The Board may not accumulate any auxiliary reserve funds from student fees unless the fees and the reserve funds are approved by the secretary of administration and the joint committee on finance under this section. A request by the board for such approval shall ... include a plan specifying the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved."

The reserve plans described below are pending approval by the Board of Regents. The 1997-98 operating budget of the UW System will be presented to the Board of Regents for approval when final legislative action on the 1997-99 biennial budget has been taken. Meanwhile, this request is being submitted in order to comply with the current statutory deadline of July 10th. Recent action taken by the Joint Committee on Finance would amend the reporting date specified by s.36.46 to September 15th.

Student fee funded reserves are projected to total \$36,181,369 as of June 30, 1997. This compares to a budgeted ending reserve balance of \$36,170,670 in the 1996-97 plan adopted by the Board of Regents on June 6, 1996 and approved by the Joint Committee on Finance and the DOA Secretary in August, 1996.¹ The net difference of \$10,699 between budgeted and projected actual ending reserves is made up of both positive and negatives variances and is detailed on the attached table.²

In 1997-98 the UW institutions plan to draw \$5.2 million from student fee funded reserves to purchase equipment, remodel facilities, carry out deferred maintenance, construct facilities, etc. As detailed in the attached table, this represents planned reductions of \$7.2 in some operations offset by increases of \$2.0 million in others.

¹ The first column on the attached table represents the projected 6/30/97 reserve in the 1996-97 plan adopted by the Board of Regents and approved by the Joint Committee on Finance and the DOA Secretary. The systemwide total appearing in the 1996-97 plan was actually \$39,732,654. This amount has been restated to \$36,170,670 to reflect three footnoted adjustments, primarily the exclusion of UW-Madison's intercollegiate athletics program which no longer receives student segregated fee funding.

² The two most notable variances involve segregated fee operations at UW-Milwaukee and at UW-La Crosse. The UW-Milwaukee variance is attributable to a delay in various Student Center remodeling projects. The UW-La Crosse variance is attributable to an advanced schedule for the Student Life Building and the fact that institutional funds were needed sooner than expected due to the timing of bond sales.

Budgeted ending reserve amounts for 1997-98 are shown in the next-to-last column and compared, in the final column, to the reserve maximums established under current UW System policy. In some cases the reserve maximums shown are those that were calculated at the time the 1996-97 budget was prepared; institutions were permitted to use the 1996-97 calculation if there have been no major changes that would have a significant impact on the reserve maximum.

The Governor's recommended budget for 1997-99 included a provision to eliminate the s. 36.46 requirement for the Board of Regents to seek approval from DOA and JCOF to approve all accumulations of auxiliary reserves from student fees. In response, the Joint Committee on Finance voted to amend s. 36.46 so that only those student fee funded auxiliary reserves that exceed 15% of the prior year's revenues must be reviewed by DOA and JCOF. With final legislative action pending, the attached table complies with the existing requirement to report all student fee funded auxiliary reserve accumulations.

Sincerely,



Marcia Bromberg,
Vice President of Finance

cc: President Lyall
Joint Committee on Finance Members
Regent Lubar
Regent Orr
Regent Grebe
Regent Hempel
Regent Barry
Chancellors
Vice Presidents
Institution Business Officers

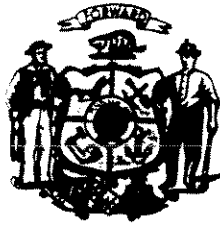
Debbie Durcan
Kathi Sell
Nathan Peters
Donna Wong
Doug Hendrix
Bob Hanle, DOA
Michael Heifetz, DOA
Bob Lang, LFB
Merry Larsen, LFB
Legislative Reference Bureau

University of Wisconsin System
Student Fee Funded Reserves
Estimated 6/30/97 Balances and 1997-98 Plan

Inst.	Program	Approved Plan:		Estimated Variance:		Estimated Actual:		1997-98 Plan:		Ceiling
		Projected 6/30/97 Reserve Balance	Approved Plan vs. Estimated Actual	Approved Plan vs. Estimated Actual	Projected 6/30/97 Reserve Balance	Planned Increase (Decrease)	Projected 6/30/98 Reserve Balance	Reserve Maximums		
PLT	Housing	319,607	(58,190)		261,417	(41,076)	220,341	2,281,073		
	Food Service	122,419	261,593		384,012	22,747	406,759	1,102,214		
	Segregated Fee	1,386,937	556,998		1,943,935	88,856	2,032,791	5,600,977		
	Total Fee Funded	1,828,963	760,401		2,589,364	70,527	2,659,891	8,984,264		
RVF	Housing	608,340	113,604		721,944	(25,972)	695,972	1,599,013		
	Food Service	84,471	287,890		372,361	(228,352)	144,009	923,493		
	Segregated Fee	927,612	(26,930)		900,682	95,189	995,871	1,328,115		
	Total Fee Funded	1,620,423	374,564		1,994,987	(159,135)	1,835,852	3,850,621		
STP	Housing	(30,643)	205,592		174,949	34,400	209,349	1,924,855		
	Food Service	441,045	(67)		440,978	(3,100)	437,878	539,722		
	Segregated Fee	1,514,671	178,713		1,693,384	(156,550)	1,536,834	2,018,600		
	Total Fee Funded	1,925,073	384,238		2,309,311	(125,250)	2,184,061	4,483,177		
STO	Housing	823,156	(130,902)		692,254	(205,613)	486,641	1,944,530		
	Food Service	322,686	(1,421)		321,265	(105,308)	215,957	524,696		
	Segregated Fee	1,380,274	238,499		1,618,773	(196,224)	1,422,549	2,488,531		
	Total Fee Funded	2,526,116	106,176		2,632,292	(507,145)	2,125,147	4,957,757		
SUP	Housing	361,178	(978)		360,200	(2,584)	357,616	602,988		
	Food Service	836,710	49,759		886,469	(64,732)	821,737	1,175,465		
	Segregated Fee	1,197,888	48,781		1,246,669	(67,316)	1,179,353	1,778,453		
	Total Fee Funded									
WTW	Housing	228,893	(24,845)		204,048	100,691	304,739	2,671,756		
	Food Service	512,543	(49,947)		462,596	237,564	700,160	1,203,994		
	Segregated Fee	1,199,941	(55,150)		1,144,791	172,130	1,316,921	2,335,943		
	Total Fee Funded	1,941,377	(129,942)		1,811,435	510,385	2,321,820	6,211,693		
CNS	Housing	119,920	(31,386)		88,534	(50,069)	38,465	150,000		
	Food Service	74,830	(18,230)		56,600	(38,434)	18,166	150,000		
	Segregated Fee	312,929	65,648		378,577	(74,419)	304,158	350,000		
	Total Fee Funded	507,679	16,032		523,711	(162,922)	360,789	650,000		
TOTAL	Housing	10,644,707	697,275		11,341,982	(1,768,711)	9,573,271	37,821,518		
	Food Service	2,397,725	275,926		2,673,651	636,307	3,309,958	8,510,149		
	Segregated Fee	23,128,238	(962,502)		22,165,736	(4,040,549)	18,125,187	37,990,825		
	Total Fee Funded	36,170,670	10,699		36,181,369	(5,172,953)	31,008,416	84,322,492		

Increases: 2,036,007
Decreases: ~~(7,203,966)~~
7,203,966

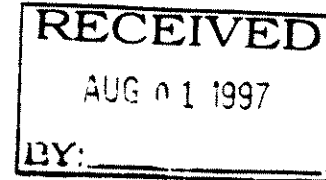
STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin



Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

July 24, 1997



The Honorable Brian Burke, Senate Co-Chair
Joint Committee on Finance
Room LL1, MLK
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Scott Jensen, Assembly Co-Chair
Joint Committee on Finance
315 North, State Capitol
P.O. Box 8952
Madison, Wisconsin 53708-8952

Dear Senator Burke and Representative Jensen:

Pursuant to s. 36.46, Wis. Stats., enclosed is a request from the University of Wisconsin System to approve the plan for student fee-funded auxiliary reserves in fiscal year 1997-98. The net effect of this plan is to decrease the auxiliary reserves balance by \$5,173,000 under the \$36,181,400 million balance on July 1, 1997, to an estimated \$31,008,400 by June 30, 1998.

The intent of s. 36.46 is to ensure that the UW System maintain prudent reserve funds to operate its auxiliary programs without collecting excessive student fees. The statutes specify that the Board of Regents may not accumulate any student fee-funded auxiliary reserves unless the fees and funds are approved by the Secretary of Administration and the Joint Committee on Finance (JCF). This requirement took effect July 1, 1986.

Following new Board of Regents policy and UW System Administration guidelines, student fee-funded auxiliary reserves were reduced from \$53.0 million at the end of FY86 to \$37.6 million at the end of FY88. Although the reserve balance has fluctuated somewhat since then, the final numbers from FY97 show that the reserves balance has returned to FY86 levels. Fluctuations can result from a variety of circumstances, including delayed or deferred capital projects, unanticipated cost savings or other revenues, or unexpected costs (such as the fire at a UW-Madison residence hall last winter).

Within each campus, the projected reserve balance for the end of FY97 (which was included in last year's plan and approved by DOA and the JCF) varies slightly from the estimated actual reserve balance as reported in the current plan. As noted

above, this is generally due to delays in capital projects or, conversely, projects moving ahead on an advanced schedule or other unique circumstances. The largest variances are at Milwaukee due to delays in renovations to the Student Center, and at LaCrosse due to earlier than anticipated bond sales for the Student Life Building.

Proposed Changes to Auxiliary Reserves:

As the following table illustrates, higher drawdowns as compared to increases to the reserves in FY98 are expected to reduce the balance to \$31 million by July 1, 1998:

Actual 7/1/97 Reserves Balance	\$36,181,400
Projected FY98 Drawdowns	-\$7,209,000
Projected FY98 Increases to Reserves	<u>\$2,036,000</u>
Projected 7/1/98 Reserves Balance	\$31,008,400

While the table illustrates the reserves balance in its aggregate, the projected drawdowns and increases are the cumulative total of projected changes within each auxiliary operation (such as housing and food service) at each campus. The projected drawdowns are being used for various projects, such as remodeling of the Student Center at the Parkside campus, capital improvements to student housing at certain campuses (Madison, Platteville, River Falls, Stout) and food service equipment (River Falls, Stout), as well as other projects. Each campus maintains a rolling five-year plan to determine future needs and to make projections concerning appropriate reserves.

The projected increases to the reserves will be used in the future to fund other projects, such as planned remodeling projects, or may be the result of delays in certain projects (Madison, Milwaukee), or unanticipated revenue increases in FY97 due to higher levels of participation in housing, food service or other programs (Eau Claire, Parkside, Centers).

Reserves Balances:

Maximum reserve balances are determined for each auxiliary operation at each campus by calculating the required operating contingency (up to two months of wages and fringe benefits for staff, two months of utilities and the annual cost of irrevocable contracts), the debt retirement contingency (up to two years of debt service payments) and other obligations. This year, all individual campus reserves balances are within the maximum levels set by the Board of Regents, and the aggregate UW System reserves balance remains well below the \$84.3 million maximum. UW System Administration monitors all campus balances on an ongoing basis to ensure compliance.

In the last four fiscal years, actual reserves levels have averaged 19.2% more than initial UW System estimates in s. 36.46 requests. Differences are generally due to

a combination of: (1) legitimate planned as well as unanticipated project deferrals and program savings; and (2) conservative fund administration at the campus level, where the intent is to avoid deficit situations which may necessitate emergency action (such as larger than anticipated student fee increases or depletion of reserves). The ability of UW System Administration to accurately predict auxiliary reserves levels has improved markedly over the last four years (and particularly the last two years). Please see the table below for historical data:

<u>Fiscal Year</u>	<u>Original Estimated Reserve Balance</u>	<u>Final Actual Reserve Balance</u>	<u>% Difference</u>
FY90	26,516,100	37,569,800	41.7%
FY91	27,417,600	29,491,300	44.0%
FY92	26,090,000	43,430,000	66.5%
FY93	30,921,800	46,931,500	51.8%
FY94	35,348,000	44,744,600	26.6%
FY95	39,596,300	52,226,100	31.9%
FY96	39,389,100	43,102,100	9.4%
FY97	39,732,700	36,181,400	8.9%
FY98 (request)	31,008,400	--	--

As indicated in the table, this is the first time since FY92 that the original estimated reserve balance is decreasing by a significant amount, rather than increasing. This results from drawdowns on the reserve at certain campuses for a variety of planned projects and expenditures. Using reserves prudently to finance certain projects prevents the campuses from imposing higher, unpredictable increases in student fees without jeopardizing the financial integrity of the auxiliaries system.

A new policy implemented by the Board of Regents permits each campus to raise the student fees by the three-year rolling average change in Wisconsin Disposable Income Per Capita (4.33% for FY97) without providing detailed justification. This policy allows the campuses to meet inflationary increases without unreasonable increases to student fees or excessive increases to the reserves. If excess fee revenue is collected, it can be used either to reduce student fees in future years or, if it can be shown that present balances are inadequate, campuses may retain the funds to increase reserves. Generally, the latter action is taken. As noted above, all balances are within the Regent maximums.

The UW's current plan for student fee-funded reserves appears reasonable and therefore should be approved.

Sincerely,

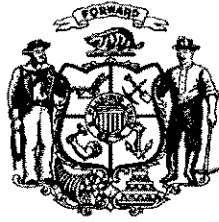


Mark D. Bugher
Secretary

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

Room LL 1 MLK
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
SCOTT JENSEN

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 264-6970

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative Scott Jensen
Co-Chairs, Joint Committee on Finance

Date: August 1, 1997

Re: 14 Day Passive Review of Student Fee-Funded Auxiliary Reserves

Attached is a letter from the Secretary of Administration concerning a request from the University of Wisconsin System regarding the student fee-funded auxiliary reserves plan for fiscal year 1997-98. The Secretary has reviewed this plan and recommends that it be approved by the Committee.

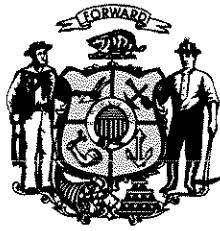
Pursuant to s. 36.46, Stats., the Joint Committee on Finance has 14 working days to review the proposed fees and reserve funds. Please review this material and notify **Senator Burke** or **Representative Jensen** no later than **Tuesday, August 19, 1997**, if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

BB/SJ/jc

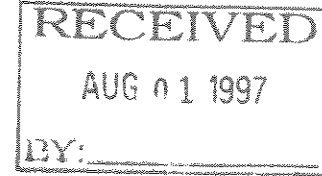
STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY



Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

July 24, 1997



The Honorable Brian Burke, Senate Co-Chair
Joint Committee on Finance
Room LL1, MLK
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Scott Jensen, Assembly Co-Chair
Joint Committee on Finance
315 North, State Capitol
P.O. Box 8952
Madison, Wisconsin 53708-8952

Dear Senator Burke and Representative Jensen:

Pursuant to s. 36.46, Wis. Stats., enclosed is a request from the University of Wisconsin System to approve the plan for student fee-funded auxiliary reserves in fiscal year 1997-98. The net effect of this plan is to decrease the auxiliary reserves balance by \$5,173,000 under the \$36,181,400 million balance on July 1, 1997, to an estimated \$31,008,400 by June 30, 1998.

The intent of s. 36.46 is to ensure that the UW System maintain prudent reserve funds to operate its auxiliary programs without collecting excessive student fees. The statutes specify that the Board of Regents may not accumulate any student fee-funded auxiliary reserves unless the fees and funds are approved by the Secretary of Administration and the Joint Committee on Finance (JCF). This requirement took effect July 1, 1986.

Following new Board of Regents policy and UW System Administration guidelines, student fee-funded auxiliary reserves were reduced from \$53.0 million at the end of FY86 to \$37.6 million at the end of FY88. Although the reserve balance has fluctuated somewhat since then, the final numbers from FY97 show that the reserves balance has returned to FY86 levels. Fluctuations can result from a variety of circumstances, including delayed or deferred capital projects, unanticipated cost savings or other revenues, or unexpected costs (such as the fire at a UW-Madison residence hall last winter).

Within each campus, the projected reserve balance for the end of FY97 (which was included in last year's plan and approved by DOA and the JCF) varies slightly from the estimated actual reserve balance as reported in the current plan. As noted

above, this is generally due to delays in capital projects or, conversely, projects moving ahead on an advanced schedule or other unique circumstances. The largest variances are at Milwaukee due to delays in renovations to the Student Center, and at LaCrosse due to earlier than anticipated bond sales for the Student Life Building.

Proposed Changes to Auxiliary Reserves:

As the following table illustrates, higher drawdowns as compared to increases to the reserves in FY98 are expected to reduce the balance to \$31 million by July 1, 1998:

Actual 7/1/97 Reserves Balance	\$36,181,400
Projected FY98 Drawdowns	-\$7,209,000
Projected FY98 Increases to Reserves	<u>\$2,036,000</u>
 Projected 7/1/98 Reserves Balance	 \$31,008,400

While the table illustrates the reserves balance in its aggregate, the projected drawdowns and increases are the cumulative total of projected changes within each auxiliary operation (such as housing and food service) at each campus. The projected drawdowns are being used for various projects, such as remodeling of the Student Center at the Parkside campus, capital improvements to student housing at certain campuses (Madison, Platteville, River Falls, Stout) and food service equipment (River Falls, Stout), as well as other projects. Each campus maintains a rolling five-year plan to determine future needs and to make projections concerning appropriate reserves.

The projected increases to the reserves will be used in the future to fund other projects, such as planned remodeling projects, or may be the result of delays in certain projects (Madison, Milwaukee), or unanticipated revenue increases in FY97 due to higher levels of participation in housing, food service or other programs (Eau Claire, Parkside, Centers).

Reserves Balances:

Maximum reserve balances are determined for each auxiliary operation at each campus by calculating the required operating contingency (up to two months of wages and fringe benefits for staff, two months of utilities and the annual cost of irrevocable contracts), the debt retirement contingency (up to two years of debt service payments) and other obligations. This year, all individual campus reserves balances are within the maximum levels set by the Board of Regents, and the aggregate UW System reserves balance remains well below the \$84.3 million maximum. UW System Administration monitors all campus balances on an ongoing basis to ensure compliance.

In the last four fiscal years, actual reserves levels have averaged 19.2% more than initial UW System estimates in s. 36.46 requests. Differences are generally due to

a combination of: (1) legitimate planned as well as unanticipated project deferrals and program savings; and (2) conservative fund administration at the campus level, where the intent is to avoid deficit situations which may necessitate emergency action (such as larger than anticipated student fee increases or depletion of reserves). The ability of UW System Administration to accurately predict auxiliary reserves levels has improved markedly over the last four years (and particularly the last two years). Please see the table below for historical data:

<u>Fiscal Year</u>	<u>Original Estimated Reserve Balance</u>	<u>Final Actual Reserve Balance</u>	<u>% Difference</u>
FY90	26,516,100	37,569,800	41.7%
FY91	27,417,600	29,491,300	44.0%
FY92	26,090,000	43,430,000	66.5%
FY93	30,921,800	46,931,500	51.8%
FY94	35,348,000	44,744,600	26.6%
FY95	39,596,300	52,226,100	31.9%
FY96	39,389,100	43,102,100	9.4%
FY97	39,732,700	36,181,400	8.9%
FY98 (request)	31,008,400	--	--

As indicated in the table, this is the first time since FY92 that the original estimated reserve balance is decreasing by a significant amount, rather than increasing. This results from drawdowns on the reserve at certain campuses for a variety of planned projects and expenditures. Using reserves prudently to finance certain projects prevents the campuses from imposing higher, unpredictable increases in student fees without jeopardizing the financial integrity of the auxiliaries system.

A new policy implemented by the Board of Regents permits each campus to raise the student fees by the three-year rolling average change in Wisconsin Disposable Income Per Capita (4.33% for FY97) without providing detailed justification. This policy allows the campuses to meet inflationary increases without unreasonable increases to student fees or excessive increases to the reserves. If excess fee revenue is collected, it can be used either to reduce student fees in future years or, if it can be shown that present balances are inadequate, campuses may retain the funds to increase reserves. Generally, the latter action is taken. As noted above, all balances are within the Regent maximums.

The UW's current plan for student fee-funded reserves appears reasonable and therefore should be approved.

Sincerely,



Mark D. Bugher
Secretary